



Testimony of Roger Johnson
National Farmers Union

Before the
U.S. House of Representatives
Committee on Agriculture

To Review U.S. Agricultural Sales to Cuba

Thursday, March 11, 2010
Washington, D.C.

SUBMITTED TESTIMONY OF ROGER JOHNSON, PRESIDENT

NATIONAL FARMERS UNION

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

CONCERNING: REVIEW OF U.S. AGRICULTURAL SALES TO CUBA

MARCH 11, 2010

Chairman Peterson, Ranking Member Lucas and members of the committee, thank you for the opportunity to testify about the importance of agricultural trade with Cuba. My name is Roger Johnson and I am president of the National Farmers Union (NFU). NFU is a national organization that has represented family farmers and ranchers and rural residents for more than 100 years. As a point of reference, during my career I have personally led eight trade-related missions to Cuba, so I speak from firsthand experience.

NFU has long supported ending the Cuban embargo and establishing trade relations with Cuba. For this reason, NFU supports the Travel Restriction Reform and Export Enhancement Act sponsored by House Agriculture Committee Chairman Collin Peterson, Agriculture Appropriations Chair Rosa L. DeLauro, Representative Jerry Moran and Representative Jo Ann Emerson.

This bill would allow direct financial transactions for agricultural sales to Cuba; require agricultural exports to Cuba to meet the same payment requirements as exports to other countries; and would allow U.S. citizens to travel to Cuba.

Since January 2009, 13 bills have been introduced in Congress to ease restrictions on travel, financial transactions or agricultural trade with Cuba. Clearly, in this case, politics is blocking good policy decisions.

Trade with Cuba

Since passage of the 2000 Trade Sanctions and Reform Act (TSRA), U.S. farmers have earned \$4 billion from sales to the Cuban market and Cubans have had an excellent payment record. However, due to continued arbitrary restrictions on U.S. agricultural sales driven by executive orders rather than acts of Congress, U.S. producers have failed to unlock the full market potential in Cuba. Cubans have begun to shift their purchases of several commodities to other suppliers, such as Vietnam, Canada, Brazil and the European Union (EU).

Expanding exports and trade are critical to expanding opportunities for U.S. agricultural producers and will allow producers to provide the highest quality food products to people around the world. Cuba relies on imports for most of its food needs. Between 2000 and 2006, Cuba's food and agricultural imports nearly doubled. Passage of such legislation will increase exports, meaning millions of dollars for U.S. agriculture.

U.S. producers are well-positioned to supply Cuba with additional commodities, with the ability to reach three major Cuban ports in one day or less, compared to 25 days from Brazil. Current U.S. policy hampers our ability to supply the Cuban market, a market we once dominated.

Effects of U.S. Trade Restrictions with Cuba

U.S. agricultural producers have already experienced positive impacts from the sale of agricultural products into the Cuban market since the passage of TSRA. Nonetheless, our current policy is tepid and inconsistent with policy the United States has with other countries. Current policy allows for cash sale of food and medicine to

Cuba, yet direct banking exchanges are not allowed.

The current “cash only” sales policy may seem to be in the best interest of the U.S.; however, it is an inefficient system, characterized by small sales, the absence of long-term contracts, unnecessarily high transaction costs, and exchange rate losses. This policy needs to be changed so U.S. producers can benefit from full and normalized trade relations with Cuba. If direct banking transfers were permitted between the U.S. and Cuba for the purchase of American-made products by Cuba, notable positive impacts on both countries’ economies would be possible, creating a win-win situation. Current U.S. policy is designed to use food as a weapon, and it has failed.

Just under 50 years ago 60 percent of Cuba’s food imports came from the U.S. Our policy should allow domestic producers to reach that level once again. More recently, agricultural trade with Cuba reached a value of approximately \$750 million before additional regulations, which were designed as a diplomatic slap in the face, were put in place during the Bush administration. Following the additional restrictions, agricultural sales have steadily declined with a recent report by the International Trade Commission (ITC) showing approximately \$290 million in agricultural cash sales to Cuba.

Parties in both Cuba and the U.S. have increasingly cited how cumbersome agricultural trade has become. Some are considering abandoning trade altogether, with Cubans left to source their commodities from other origins. The current embargo is not working.

Last year the U.S. government purchased more than \$300 million in surplus U.S. agricultural goods in an attempt to support the market; while opening the Cuban market would not fully offset these purchases, it would certainly help. Ending the Cuban embargo would both save taxpayer dollars and assure Cuba a consistent source of reasonably priced, high-quality food.

As this cumbersome trade process continues, we have seen a 10 percent decrease in imports from the U.S. to Cuba in 2005 and an additional decrease of 4 percent in 2006. Looking at the percentage of market access the U.S. has in Cuba, clearly grains are the easiest commodity to move because of the uncertain timeframe it will take to get all of the necessary paperwork in line. Shipping is clearly not the problem. The U.S. has almost no market share of value-added or processed foods, which are usually more perishable and more costly to ship, allowing Brazil and the EU to fill this demand. Value-added goods also tend to yield higher returns for U.S. exporters and create more jobs and economic activity than commodity sales. The very type of food exports we most want are the ones our current restrictive policy preclude.

The ITC predicts lifting the ban on agricultural goods would increase U.S. exports to Cuba by between \$924 million and \$1.2 billion. This would also increase the U.S. market share in Cuba compared to other competing countries from the current 38 percent to between 49 percent and 64 percent.

U.S. – Cuba Trade Policy Recommendations

Lifting the current restriction on tourism would provide Cuba with more U.S. dollars, which could then be used to purchase more U.S. products, particularly more value-added agricultural products for the food service and hotel trades. Many of these products could have a significant impact on economic growth and support for rural farm and ranch families.

Passage of this legislation would mean millions of dollars in agricultural exports for U.S. producers and the economy. According to the ITC report released in June 2009, there are only three major factors that enhance the competitiveness of U.S. agricultural exports to Cuba:

1. U. S. exporters offer competitive prices and high-quality products.
2. U.S. exporters benefit from lower cost of delivery than competing suppliers.
3. U.S. exporters can provide smaller volumes of individual shipments on a just-in-time basis to smaller Cuban ports.

However, according to the same report, U.S. exporters are hampered by eight major factors making the U.S. a less desirable trading partner and decreasing market access:

1. U.S. exports cannot offer credit to Cuba for the purchases while other trading partners to Cuba make concessions for trade with Cuba.
2. The U.S. government requires payment from Cuba in cash in advance channeled through third-country banks, driving up transaction fees.
3. When purchasing U.S. products, Alimport may incur additional storage and demurrage costs if the transactions paperwork is not completed on schedule.
4. U.S. exporters wishing to travel to Cuba in order to complete sales contracts find the travel licensing process to be cumbersome, nontransparent and time consuming.
5. The U.S. restricts visits by Cubans for sales negotiations and for sanitary and phytosanitary inspections of U.S. products and processing facilities.
6. U.S. agriculture trade associations cannot use industry-generated funds or U.S. Department of Agriculture Market Access Program money for market research and promotion activities in Cuba.
7. U.S. regulations penalize foreign vessels that dock in Cuban ports, resulting in less competition among carriers and higher maritime transportation costs.
8. The Cuban government makes purchases from certain countries based on geopolitical motivations.

Travel to Cuba

The Obama administration has, by executive order, lifted part of the travel ban for Cuban Americans to travel to Cuba to visit family. Every American should be free to travel to and from Cuba.

The aforementioned ITC report clearly indicates that lifting the travel ban will result in an influx of U.S. tourism. An enhanced tourism industry would boost the demand for imported agricultural products, particularly high-valued products from the U.S., and bring more hard currency into the country, allowing Alimport to buy more U.S. agricultural products for the domestic Cuban population.

I realize there are political factors to consider when lifting the ban on travel to Cuba. This is a sensitive topic, and as an organization NFU may be criticized for supporting lifting this ban, but I want to clearly state NFU has never been supportive of a military dictatorship. However, this 50-year embargo has not worked for our nation's farmers and ranchers and has only caused the Cuban people, not the Cuban government, to suffer.

Conclusion

NFU has clear, common-sense policy on Cuba. It is our recommendation that the Cuban embargo be lifted. If that is not possible, at minimum the eight impeding roadblocks outlined by the ITC must be dissolved in order to increase U.S. exports to Cuba. Passage of the Travel Restriction Reform and Export Enhancement Act would be a significant step toward tearing down artificial walls put in place by past administrations and Congressional actions. I appreciate the opportunity to testify today and look forward to responding to any questions committee members may have.



BIOGRAPHY

Roger Johnson

National Farmers Union President

Roger Johnson was elected National Farmers Union's 14th president during the organization's 107th anniversary convention in 2009.

Prior to leading the family farm organization, Johnson, a third-generation family farmer from Turtle Lake, N.D., served as North Dakota Agriculture Commissioner, a position he was first elected to in 1996. While Agriculture Commissioner, Johnson served on the State Industrial Commission, the North Dakota Trade Office Advisory Board, and the State Board of Agricultural Research and Education, among many other boards and commissions.

From 2007-2008, Johnson served as president of the National Association of State Departments of Agriculture (NASDA). As NASDA president, he played a key role in crafting the 2008 Farm Bill, pressing for provisions that benefit agricultural producers, such as a permanent disaster program, ending the ban on interstate shipment of state-inspected meat, the re-balancing of loan rates for program crops and farm-based renewable energy. Johnson was chairman of NASDA's Rural Development and Financial Security Committee from 2000 to 2007.

Johnson is a past president of the Midwestern Association of State Departments of Agriculture (MASDA), past president of the Food Export Association of the Midwest and a former chairman of the Interstate Pest Control Compact.

Johnson grew up in Farmers Union, participating in the organization's youth programs, serving as a county president and chairman of the board of a local Farmers Union cooperative. Johnson graduated from North Dakota State University with a degree in agricultural economics.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Roger Johnson

Address: 20 F Street NW, Suite 300, Washington, DC 20001

Telephone: 202-554-1600

Organization you represent (if any): National Farmers Union

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you:

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Signature: _____



* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*